> "If a studio wishes to have an idea disclosed to it and finds that idea of sufficient value to make use of it, it is difficult to see how any hardship is involved in requiring payment of the reasonable value of the material submitted." *Id.*, at p. 733.

Petitioners maintain they are free to solicit and use any ideas submitted in clear expectation of compensation, because implied contracts and/or ideas are not afforded protection under the Copyright Act. Petitioners argue that "the Ninth Circuit's decision improperly allows Respondent . . . suing on mere implied expectation of payment . . . to avoid copyright preemption." Petition (Statement of the Case), p. 6. It is Petitioners' position which is "improper." If a studio uses an artist's ideas on the promise that the studio will pay, the studio should be held to that promise.

Petitioners claim that the Ninth Circuit opinion "deepens a split in the Circuits over copyright preemption." Petition (Statement of the Case), p. 2. Petitioners are disingenuous. Petitioners cite only a single case as evidence of an alleged "split" regarding preemption of contract claims but that case – *Ritchie v. Williams*, 395 F.3d 283 (6th Cir.2005) – is factually inapplicable and did not address an implied contract claim, the type of claim at issue here. Nor did the *Ritchie* Sixth Circuit case purport to overrule the Sixth Circuit's earlier decision which expressly held that implied contract claims are *not* preempted. *See Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir.2001). Thus, contrary to Petitioners' assertion, *all* circuits deciding the issue of contract claims, with only one inapplicable exception, have found exactly as the Ninth Circuit: contract claims in general, and implied in fact contract claims specifically, are not preempted.

A. The Federal Circuit (applying First Circuit law)

In *Bowers v. Baystate Tech., Inc.*, 320 F.3d 1317, 1323 (Fed.Cir.2003), *cert. denied*, 539 U.S. 928 (2003), the Federal Circuit twice considered and twice rejected a preemption argument, finding that "the Copyright Act does not preempt or narrow the scope of [the plaintiff's] contract claim."

"Courts respect freedom of contract and do not lightly set aside freely-entered agreements . . . ¶¶ [T]he Copyright Act does not preempt the state contract action in this case. Indeed, most courts to examine this issue have found that the Copyright Act does not preempt contractual constraints on copyrighted articles." *Id.*, pp. 1324-1325, citations omitted.

B. The Fourth Circuit

In *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir.1988), the Fourth Circuit rejected the argument that contract claims were preempted:

> "Plaintiff's claim for breach of contract entails a distinct cause of action which is clearly not within the subject matter of copyright but arises out of the implicit contractual provisions of the design agreement. . . . Implicit in the contract . . . was an agreement that while [the defendant] did not have to use [plaintiff's] plans, if he did use [plaintiff's] plans then he was obligated either to purchase the plans from [plaintiff] or to purchase his building materials from [plaintiff] . . . ¶ Accordingly, we hold that the district court erred in its judgment that plaintiff's claim for

breach of contract is preempted by federal copyright law." *Id.*, at p. 926.

C. The Fifth Circuit

In *Taquino v. Teledyne Monarch Rubber,* 893 F.2d 1488 (5th Cir.1990), the Fifth Circuit also addressed a breach of contract claim and also found that preemption would be improper:

> "This action for breach of contract involves an element in addition to mere reproduction, distribution or display: the contract promise made by Taquino, therefore, it is not preempted." *Id.*, at p. 1501.

D. The Sixth Circuit

In *Wrench LLC v. Taco Bell Corp.,* 256 F.3d 446 (6th Cir.2001), *cert. denied,* 534 U.S. 1114 (2002), the Sixth Circuit specifically addressed whether an implied contract claim was preempted. The Sixth Circuit clearly held that such a claim was *not* preempted.

> "[The breach was] not the use of the work alone but the failure to pay for it. . . . Thus, the state law right is not abridged by an act which in and of itself would infringe one of the exclusive rights granted by [section] 106, since the right to be paid for the use of the work is not one of those rights. ¶ . . . The extra element is the promise to pay. This extra element does change the nature of the action so that it is qualitatively different from a copyright infringement claim." *Id.*, at p. 456.

E. The Seventh Circuit

In *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir.1996), the Seventh Circuit recognized that contract claims are qualitatively different and not preempted:

> "Copyright law forbids duplication, public performance, and so on, unless the person wishing to copy or perform the work gets permission; silence means a ban on copying. A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create 'exclusive rights.'" *Id.*, at p. 1454.

F. The Eighth Circuit

In *National Car Rental System, Inc. v. Computer Association, Int'l, Inc.*, 991 F.2d 426 (8th Cir.1993), *cert. denied*, 510 U.S. 861, 114 S.Ct. 176, 126 L.Ed.2d 136 (1993), the Eighth Circuit joined its sister circuits by recognizing:

> "[T]he contractual restriction on use of the programs constitutes an additional element making this cause of action *not* equivalent to a copyright action." *Id.*, at pp. 431-432.

G. The Ninth Circuit

The Ninth Circuit had previously ruled consistent with *Grosso v. Miramax*: "Our prior decision in *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193, 1196-97 (9th Cir. 1986), supports treating the implied promise to pay required by *Desny* as an 'extra element' for preemption purposes." Petition (Appendix A), pp. 3a-4a.

H. The Eleventh Circuit

The Eleventh Circuit, in *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305 (11th Cir.2001), also rejected preemption of contract claims:

> "[The] contract claim was not preempted by the Copyright Act [because . . .] through its breach of contract claim, [the plaintiff] sought to enforce rights created by a simple two-party contract, not copyright rights . . . [C]ourts generally read preemption clauses to leave private contracts unaffected." *Id.*, at pp. 1318-1319.

As an alternative basis for denying preemption, the Eleventh Circuit has recognized, in *Dunlap v. G&L Holding Group, Inc.*, 381 F.3d 1285 (11th Cir.2004) that ideas are expressly excluded from copyright coverage and therefore idea protection falls outside of copyright jurisdiction.

> "Ideas are substantively ineligible for copyright protection and, therefore, are categorically excluded from the subject matter of copyright. Thus, we conclude that a plaintiff's claim for conversion of his ideas – even original ideas expressed in a tangible medium – is not preempted by the Copyright Act." *Id.*, at p. 1297.

I. The California Court of Appeal, Second Appellate District

The Second District Court of Appeal for the State of California also rejected preemption in *Kabehie v. Zoland*, 102 Cal.App.4th 513, 528 (2002):

> "We agree with the majority view. The mere breach of the promise inherent in every contract

> does not constitute the requisite extra element unless the promise creates a right qualitatively different from copyright. A right that is qualitatively different from copyright includes a right to payment, a right to royalties, or any other independent covenant. These qualitatively different rights constitute the requisite extra element. These breach of contract actions are not preempted by federal copyright law."

The vast majority of California district courts also reached the proper conclusion that the Copyright Act of 1976 does *not* preempt a breach of implied contract claim. *See, e.g., Trenton v. Infinity Broadcasting Corp.*, 865 F.Supp. 1416 (C.D.Cal.1994); *Lattie v. Murdach*, 1997 WL 33803, 42 U.S.P.Q.2d 1240 (N.D.Cal.1997); *Canter v. West. Pub. Co.*, 31 F.Supp.2d 1193, 1999 WL 11701 (N.D.Cal.1999) (withdrawn from publication); *Miller v. Miramax Film Corp.*, CV 99-8526 DDP(AJWx) (C.D.Cal.1999); *Firoozye v. Earthlink Network*, 153 F.Supp.2d 1115 (N.D.Cal.2001); and *Groubert v. Spyglass Entm't Group, LP*, 2002 U.S. Dist. LEXIS 17769, *12-*13 (C.D.Cal.2002):

> "Plaintiff met with Defendants in order to present them with his idea for a movie, and, according to Plaintiff, there was an understanding between the parties that if Defendants were to actually make a movie out of this idea, then Plaintiff would be compensated . . . ¶ This is not the equivalent to copyright law."

The majority of lower courts from other circuits have similarly found that the Copyright Act of 1976 does not preempt the type of claim asserted here. *See, e.g., Davidson & Assocs. v. Internet Gateway*, 334 F.Supp.2d 1164, 1175 (D. Mo.2004); *Hotsamba, Inc. v. Caterpillar Inc.*, 2004 U.S. Dist. LEXIS 4882 (D.Ill.2004); *Video Pipeline, Inc. v.*

Buena Vista Home Entertainment, Inc., 210 F.Supp.2d 552 (D.N.J.2002); *Katz Dochrermann & Epstein, Inc. v. Home Box Office*, 1999 WL 179603 (S.D.N.Y.1999); *Lennon v. Seaman*, 63 F.Supp.2d 428 (S.D.N.Y.1999); *Levin v. The Gap, Inc.*, 1998 WL 915897 (S.D.N.Y.1998); *Expediters Int'l of Washington v. Direct Line Cargo Management Services, Inc.*, 995 F.Supp. 468, 48 U.S.P.Q.2d 1576 (D.N.J.1998); *Architectronics, Inc. v. Control Systems, Inc.*, 935 F.Supp. 425 (S.D.N.Y.1996); *SBK Catalogue P'ship v. Orion Pictures Corp.*, 723 F.Supp. 1053 (D.N.J.1989); *Brignoli v. Balch Hardy and Scheinman, Inc.*, 645 F.Supp. 1201 (S.D.N.Y.1986); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F.Supp. 1523 (S.D.N.Y.1985); *Smith v. Weinstein*, 578 F.Supp. 1297, 1307 (S.D.N.Y.1984), *aff'd*, 738 F.2d 419 (2nd Cir.1984).

Scholars have similarly found that while "ideas" are not protected under copyright (17 U.S.C. § 102), ideas can find protection in state law.

- "[C]ontracts and copyright should not be viewed as rivals. Consequently, idea men, although logically deprived of any remedy on the ground of copyright infringement should nevertheless be able to obtain compensation for their idea submitted pursuant to a contract." *Idea Men Should be Able to Enforce Their Contractual Rights*, 6 Vand. J. Ent. L. & Prac. 75, 76 (2003).

- "The implied contract became vital to pitch people throughout the entertainment industry. That is because, absent protection under an implied-contract theory, 'idea men' lacking an express agreement promising compensation are not well-protected." *Grosso Helps Hollywood Writers*, Los Angeles Daily Journal, Sept. 28, 2004, at 6, col. 3.

Petitioners try to create a "split" by relying on *Ritchie v. Williams*, 395 F.3d 283 (6th Cir.2005). Petitioners' reliance is misplaced. *Ritchie v. Williams* does not purport to deal with a claim for breach of implied contract. The case cannot stand for a proposition not addressed. Nor does the Sixth Circuit (which decided *Ritchie v. Williams*) purport to reject its earlier decision of *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir.2001), *cert. denied*, 534 U.S. 1114 (2002) which expressly held that an implied contract claim is *not* preempted. The Sixth Circuit, thus, remains consistent with the Ninth Circuit's decision.

Petitioners also claim that the "Ninth Circuit's decision directly conflicts with the Second Circuit's recent decision in *Briarpatch [Ltd. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 305 (2d Cir.2004)]." Petition (Argument), p. 11. To make this claim, Petitioners must distort the *Briarpatch* decision. That case dealt with a claim of unjust enrichment, *not* of implied contract. The analysis and treatment in *Briarpatch* of a completely different type of claim (unjust enrichment) does not "conflict" with the Ninth Circuit's treatment of an implied contract claim. Indeed, in the very opinion at issue here, the Ninth Circuit also recognized, consistent with the *Briarpatch* decision, that a cause of action for unjust enrichment would be preempted. *See* Petition (Appendix A), p. 4a, citing *Del Madera Props. v. Rhodes & Gardener, Inc.*, 820 F.2d 973 (9th Cir.1987).

Petitioners also try to create a "split" by claiming that the Fourth Circuit's decision in *Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453 (4th Cir.1997) is somehow "in conflict" with the instant opinion. Again, Petitioners have to mix apples with dog bowls to make such an assertion. *Berge* dealt with a tort conversion

claim, not a contract claim. The two simply are not comparable.

Petitioners claim that the Ninth Circuit "simply equated the existence of the 'extra element' with a 'qualitative difference,' collapsing the two requirements into one." Petition (Argument), p. 11. Petitioners grossly take amiss the opinion. The Ninth Circuit recognized that to avoid preemption, "the state law cause of action must protect rights that are qualitatively different from the rights protected by copyright" and that allegations in the instant case "transform[] that action from one arising under the ambit of the federal statute to one sounding in contract." Petition (Appendix A), pp. 3a-4a. Thus, the Ninth Circuit looked to whether there was an extra element and whether that extra element rendered the cause of action qualitatively different.

Congress never intended for copyright to kill contract claims. Recognizing that copyright law does not protect the ideas and concepts of writers pitched to producers, Mr. Grosso chose to seek redress under California law, where the California Supreme Court has guaranteed protection in its landmark ruling *Desny v. Wilder*. This seminal case affords a different protection than copyright law, by recognizing that ideas and concepts may be the subject of a contract and therefore the promises or implied promises of the parties to pay for the use of the ideas may be enforceable by state contract law. This *Desny* claim was designed to protect Hollywood's most precious and valuable resource, movie concepts, which are pitched daily throughout the industry and are not protected by copyright law. The Ninth Circuit's decision merely re-affirms the protection long afforded by *Desny*. Of the Ninth Circuit's opinion, one entertainment lawyer commented, "Now

that wasn't so hard after all." *Grosso Helps Hollywood Writers*, Los Angeles Daily Journal, Sept. 28, 2004, at p. 6, col. 3.

Petitioners appear to take issue with "idea men" having multiple theories of recovery. Petition (Factual Background), pp. 3-4. However, it has long been the case that injured artists might have multiple theories of recovery. For example, copyright and trademark exist side-by-side, one not preempting the other, because each protects a different right. *Compare* Copyright Act, 17 U.S.C. § 101 *et seq. with* the Lanham Act, 15 U.S.C. § 1125. *See also, Comedy III Prods., Inc. v. New Line Cinema*, 200 F.3d 593, 595 (9th Cir.2000) (recognizing different protections under copyright and trademark). So too with copyright and implied contract claims: each is a qualitatively different claim and protects a different right.

The unfortunate, but undeniable reality in Hollywood is that writers need *Desny's* different protection. "Hollywood is notorious for its capacity to delude and pluck even the most cynical and astute adults." *Idea-Theft Suits Run Amok in Land of Celluloid Dreams*, Daily Journal, August 27, 2002, p. 1. First-time writers, like Mr. Grosso, are especially at the mercy of powerful Hollywood producers, like Miramax. For these people, and even known creative geniuses, there would be no means to force producers to pay for stolen ideas. *Desny* is the only recourse, the only remedy. The Ninth Circuit correctly recognized the importance and continued viability of *Desny*. The Ninth Circuit's sound decision should stand.

CONCLUSION

To the extent state law is permitted to extend protection to ideas, that protection is properly not preempted by copyright. The Ninth Circuit's decision is correct and should stand.

Respectfully submitted,

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Dated: July 15, 2005

No. 05-128

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

HOWARD DELIVERY SERVICE, INC., Debtor, and the OFFICIAL COMMITTEE of UNSECURED CREDITORS of HOWARD DELIVERY SERVICE, INC.,

Petitioners,

v.

ZURICH AMERICAN INSURANCE COMPANY,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

RESPONSE

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CORPORATE DISCLOSURE STATEMENT

The respondent is Zurich American Insurance Company. Its parent corporations are Zurich Holding Company of America, Inc., Zurich Insurance Company, Crown Management Services Limited, Zurich Group Holding, Zurich Financial Services, and Allied Zurich p.l.c.

No publicly held company owns 10% or more of respondent's stock.

I

RESPONSE TO PETITION FOR *CERTIORARI*

Zurich does not oppose *certiorari*.

Respondent Zurich American Insurance Company acknowledges that the Fourth Circuit's decision in this case has contributed to a widening split of authority among the Circuit Courts of Appeals on the question whether prepetition claims for unpaid workers' compensation insurance premiums are entitled to priority under former section 507(a)(4) of the Bankruptcy Code, now codified at 11 U.S.C. § 507(a)(5) (2005). Because of the importance of the question presented, Zurich agrees that, absent Congressional intervention, the issue should be resolved by this Court. Although Congress recently overhauled the Bankruptcy Code, it did not address this issue. Hence, Zurich has determined not to oppose *certiorari*.

If the Court grants *certiorari*, we will argue that it should affirm the Fourth Circuit's decision because, as Judge King found in his concurring opinion, the applicable statutory term—"contributions to an employee benefit plan arising from services rendered"—is unambiguous, and includes premiums for workers' compensation insurance. *In re Howard Delivery Service, Inc.*, 403 F.3d 228, 238 (King, J., concurring). Hence, there is no need to resort to legislative history or other rules of construction. *Id.* at n.14; *see also Lamie v. United States Trustee*, 540 U.S. 526, 534, 124 S. Ct. 1023, 1030 (2004) (where statutory term is unambiguous, no need to consult legislative history). But even if the legislative history or other rules of construction are consulted, as Judge Shedd determined in his separate concurring opinion, the result should be the same: priority accorded the claim here. *In re Howard Delivery Service, Inc.*, 403 F.3d at 241 (Shedd, J., concurring).

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No. 04-1682

IN THE

Supreme Court of the United States

MIRAMAX FILM CORP., MIRAMAX BOOKS, SPANKY PICTURES, INC., DAVID LEVIEN, BRIAN KOPPELMAN, TED DEMME, and JOEL STILLERMAN,
Petitioners,

v.

JEFF GROSSO,
Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

This Petition presents complex issues of national importance regarding the preemptive effect of the Copyright Act on state-law claims for breach of implied contract. The exploitation of copyrighted works has an enormous impact on commerce, and the preemptive force of the Copyright Act serves the interests of businesses and citizens in virtually all industries, in all states, who require predictability and uniformity in the rules governing the use of intellectual property. Thus, in addressing the Copyright Act, this Court has stated that "it is peculiarly important that the law's boundaries be demarcated as clearly as possible," *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 517-18 (1994), and Congress has completely preempted the field in order to "avoid the development of any vague borderline areas between State and Federal protection." H.R. Rep. No. 94-1476 at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5745, reprinted at Pet. App. 71a. The Ninth Circuit's opinion in *Grosso v. Miramax Film Corp.*, 383 F.3d 965, *amended by* 400 F.3d 658 (9th Cir. 2005), eviscerates the clear boundaries of copyright law by permitting state law copyright claims to proceed under the guise of implied contract and, in reaching this unwarranted result, it deepens the split in the circuits over the proper application of the test for determining copyright preemption.

Rather than respond to the Petition fairly and analytically, Respondent makes light of it, with a self-serving "prologue" based on an inapposite hypothetical. Respondent never addresses the actual facts (as framed by Respondent's own allegations) of the case before the Court, nor Petitioner's legal analysis of the inconsistency in the application of the "extra element" test among the circuits. Respondent also ignores the Sixth Circuit's recent criticism of the extra element test and its plea for guidance. *See Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2005).

In short, the Response does nothing to rebut the Petition's strong showing warranting Supreme Court review.

In fact, the Response bolsters the Petition. In *Kabehie v. Zoland*, 102 Cal. App. 4th 513, 524-34 (2d. Dist. 2002), relied on in the Response, the California Court of Appeal surveyed the relevant federal law and concluded that "the various [federal] courts have used *different analytical structures* when considering preemption of breach of contract actions" (emphasis added). This is exactly the point of the Petition. Different circuits are applying the test for preemption differently and reaching inconsistent results on similar facts. The confusion reverberates in the state courts, which are forced to choose among the differing approaches taken in the various federal circuits. Consequently, the return to the hodgepodge of state and federal laws that the Copyright Act was designed to avoid is already happening, and there is an urgent need for Supreme Court review.

ARGUMENT

I. THE CLAIM IN THIS CASE, AS OPPOSED TO THE FICTIONAL SCENARIO IN RESPONDENT'S PROLOGUE, IS INDISTINGUISHABLE FROM A COPYRIGHT CLAIM.

The Response contains no statement of facts, but only a make believe "prologue" that distorts the issues. This case is not about an "idea man" invited to pitch concepts to a movie producer under fraudulent circumstances, but rather involves an author of a copyrighted script who never submitted the script to Miramax, and merely speculates that Miramax somehow obtained and used the script. Relevant to Miramax, the Complaint alleges:

> 17. Plaintiff sent his script to Gotham Entertainment Group, which is located in the same building in New York City as Miramax Films. The script [was] specifically sent to Patrick McDarrah, a former Miramax Films Executive.

(Pet. App. 78a.) As reflected in paragraph 17 of the Complaint, Respondent merely "sent" his completed copyrighted

script to a "former" Miramax executive at a *different* company that happened to be located "in the same building" as Miramax in New York City. Respondent alleges no interaction at all with Miramax, much less any pitch meeting, negotiations, or agreement on specific terms.

The claim against Miramax is utterly indistinguishable from a claim for copyright infringement. If a plaintiff can avoid copyright law merely by (1) alleging that a defendant might somehow have indirectly obtained plaintiff's work, and (2) labeling the claim breach of implied contract based on an implied mutual expectation of payment for unauthorized use (which is just another way of saying copyright infringement), then virtually any copyright claim can be couched as an implied contract claim. Permitting such an outcome—as the Ninth Circuit decision does—creates a simple roadmap for future plaintiffs to follow to circumvent the exclusive federal court jurisdiction over copyright claims and the preemptive scope of the Copyright Act.

The Ninth Circuit in *Grosso* reached the wrong result. More importantly, the court reached a different result than other circuits have reached on analogous facts, because it incorrectly assumed that the pleading elements of an implied contract claim automatically made the claim "qualitatively different" from copyright, without looking beyond the label to the core of the claim to evaluate if there was truly a "qualitative" difference.

II. THE CASE AUTHORITIES CLEARLY REFLECT A SPLIT IN THE CIRCUITS ON COPYRIGHT PREEMPTION OF CONTRACT CLAIMS.

The Petition analyzes the split among those circuits that mechanically apply the "extra element" test and those that require a substantive "qualitative difference" in the core or gravamen of the claim. Respondent does not rebut or even address this analysis. Instead, he quotes out-of-context snippets of case authorities (mainly involving negotiated written contracts, not implied contracts) to give the incorrect im-

pression that no inconsistency exists. In fact, upon closer inspection, those authorities further evidence the split in the circuits, and, thus, also support the grant of this Petition. The Response also reveals divisions in the state courts as they struggle to apply the inconsistent federal case authorities on copyright preemption.

A. *Kabehie v. Zoland* Confirms the Existence of a Split in the Federal Circuits and Illustrates the Resulting Confusion in the State Courts.

Respondent denies the existence of a split in the circuits, yet he cites to case authority that specifically identifies the split. In *Kabehie*, 102 Cal. App. 4th at 524-34, the court surveyed the federal case authorities and, though it framed the split somewhat differently than the Petition, concluded that the federal courts have used "different analytical structures" in evaluating preemption of breach of contract claims under the Copyright Act. *Kabehie* found that the federal circuits are in disagreement, if not disarray, in analyzing preemption of contract claims and have reached different results on similar facts because of this division. *Id.*[1] The law is even more complex and confused as applied to implied contract claims. *Id.* at 527 n.9.

Kabehie also reflects the resulting confusion in the state courts caused by the lack of clear federal authority. The concurring judge in *Kabehie* not only disagreed with the majority's choice to follow the line of cases applying the so-called "fact-specific analysis," but he also discussed the analytical inconsistencies even *within* the alternative line of federal case authorities that he preferred to follow, com-

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[1] Notably, *Kabehie* identifies *Taquino*, *ProCD* and *Lipscher*, relied upon by Respondent, as being in the "*minority* of the cases hold[ing] state breach of contract causes of action are never preempted by federal copyright law." *Id.* at 525, 531 (emphasis added). The court in *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003), characterized the same cases as the *majority* view.

menting that "not all of these authorities are clear, and the theories differ." *Id.* at 532-33. He also noted the differing analytical approaches taken by *Nimmer on Copyright*, which focuses on "the promise in the contract"; Professor Goldstein, who "points to the bargained for exchange"; and Judge Easterbrook, who focuses on the two party relationship, as well as the "inconsistent" pronouncements on federal copyright preemption of contract claims expressed by Professor Nimmer. *Id.* at 532, 533 n.2.

Thus, even judges on the same panel do not agree on prevailing federal law or a coherent analytical framework. This confusion is multiplied across the nation, as state courts across the country are being called upon to interpret federal law on copyright preemption with inadequate and inconsistent guidance from the federal courts.[2] As a result of *Grosso*, *de facto* copyright claims disguised as implied contract claims will not be removable, and, thus, many more disputes that Congress meant to be decided under the uniform strictures of the Copyright Act will, instead, be decided by state courts, resulting in further undermining of Congress's intent to promote national uniformity by acting preemptively through its enactment of the 1976 Copyright Act.

B. The Response Dodges the Central Issues in the Petition and Fails to Meaningfully Analyze the Case Authorities that Demonstrate the Existing Split in the Circuits.

Respondent never disputes the central thesis of the Petition that *Grosso* deepens a division in the circuits in the appli-

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[2] As another example, the Supreme Court of Indiana wrestled with copyright preemption of a breach of contract claim in *Green v. Hendrickson Publishers, Inc.*, 770 N.E.2d 784 (Ind. 2002). In finding the claim preempted, the *Green* court noted the division in the federal authorities and rejected the approach taken by some circuits that breach of contract claims necessarily include an extra element that avoids copyright preemption.

cation of the inadequate extra element test, which division undermines the purpose of the Copyright Act. He barely mentions the lead case authorities discussed in the Petition—*Briarpatch*, *Berge* and *Ritchie*—and makes no mention of *Murray Hill* or *Ritchie's* criticism of the extra element test.

Rather than approach the case authorities cited in the Petition analytically, Respondent reverts to labels to attempt to distinguish them. At their core, however, the unjust enrichment (or quasi contract or implied in law) claim in *Briarpatch* and the conversion claim in *Berge* involved the same type of transaction as in *Grosso*—a claim for reasonable compensation for the unauthorized use of a copyrighted work. *Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 306 (2nd Cir. 2004); *Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997). Further, despite the similar nature of the claims, *Briarpatch* and *Berge* found the claims preempted whereas *Grosso* did not. Respondent ignores this inconsistency. Respondent attempts to distinguish *Ritchie* on the ground that it involved an express contract, yet most of the case authorities relied upon by Respondent also involved express written contracts. Ironically, that *Ritchie* found an express written contract preempted while the case authorities cited by Respondent did not, *supports* the Petition, by further illustrating the prevailing split in the circuits.

Respondent fails to address at all *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 637-38 (6th Cir. 2001), a case discussed in the Petition which is substantively indistinguishable from *Grosso.* In *Murray Hill*, the court held preempted an unjust enrichment claim based on plaintiff's allegation that the defendant "was aware that Plaintiffs intended to be fully compensated in the event that Defendant desired to make use of Plaintiffs' [work]," finding that the alleged awareness of expectation of compensation was not an "extra element" sufficient to alter the fundamental nature of the claim. *Id.* at 637-38. In *Grosso,* Respondent similarly alleged that he submitted his idea "with the under-

standing and expectation, fully and clearly understood by Defendants, that Plaintiff would be reasonably compensated for its use by Defendants." (Pet. App. 78a, Complaint, paragraphs 13, 17.)[3] Based on these virtually identical allegations, *Grosso* found the claim not preempted, merely because it was labeled implied in fact contract rather than unjust enrichment (or quasi contract or implied in law contract). Respondent does even not attempt to harmonize these case authorities, because they are manifestly inconsistent and clearly demonstrate a split in the circuits. Congress did not intend for Federal Court jurisdiction to be so easily evaded and the Copyright Act provisions to be rendered meaningless based upon the whim of the plaintiff in choosing how to label its claim for relief.[4]

C. The Case Authorities Relied Upon By Respondent Confirm the Existence of a Fundamental Division in the Federal Courts Concerning Copyright Preemption of Breach of Contract Claims.

Even the case authorities that Respondent cites to try to show consistency in the circuits confirm a fundamental split regarding the proper application of the test for determining preemption of state law contract claims. Some analyzed copyright preemption of contract claims qualitatively. For

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[3] Though *Grosso* referenced an "implied promise to pay" in analogizing to *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), there is no such allegation in Grosso's complaint, as Grosso alleges merely an "understanding and expectation" of payment (Pet. App. 78a), which, given the utter absence of any interaction between Grosso and Miramax, cannot possibly be any different, qualitatively, from a claim for quasi contract which courts uniformly find preempted.

[4] Respondent's assertion that copyright and trademark do not preempt one another because they protect different rights misses the point. (Response at p. 16.) The unjust enrichment claims in *Briarpatch* and *Murray Hill*, the conversion claim in *Berge*, the implied contract claim in *Grosso* and a claim for copyright infringement all involve the *same* right – compensation for alleged unauthorized use of a copyrighted work.

example, the Eighth Circuit in *National Car Rental System, Inc. v. Computer Associates Int'l, Inc.*, 991 F.2d 426 (8th Cir. 1993), engaged in a detailed analysis of the gravamen of the breach of contract claim at issue in that case. In contrast, *Acorn* (Fourth Circuit), *Taquino* (Fifth Circuit), *ProCD* (Seventh Circuit) and *Lipscher* (Eleventh Circuit) did not analyze whether an extra element made the claim qualitatively different from copyright.[5] In fact, *Acorn*, *Taquino* and *ProCD* do not even *mention* the extra element test. *Bowers*, 320 F.3d at 1324-26, applying First Circuit law, claimed to follow the reasoning of *ProCD*, but contrary thereto, applied the extra element test and examined the contract claim in substantial detail, stating that a claim cannot avoid preemption by the mere label of the claim. *Lipscher* recited the extra element test but did not engage in any analysis of the core of the contract claim at issue and merely concluded, expressly following *ProCD* and disagreeing with *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), that two party contracts are never preempted. *Lipscher*, 266 F.3d at 1311, 1318. These case authorities further illustrate the split in the circuits and the need for Supreme Court guidance.[6]

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[5] *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir. 1988); *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488 (5th Cir. 1990); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996); *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305 (11th Cir. 2001).

[6] Also, none of Respondent's cases involved facts similar to this case. *See e.g.*, *Bowers*, 320 F.3d 1317, and *ProCD*, 86 F.3d 1447 (software shrink wrap licenses); *National Car Rental*, 991 F.2d 426 (negotiated software license); *Taquino*, 893 F.2d 1488, and *Lipscher*, 266 F.3d 1305 (written contracts concerning trade secrets); *Acorn*, 846 F.2d 923 (written agreement for architectural plans and materials); and *Kabehie*, 102 Cal. App. 4th 513 (written contracts for music rights). Though *Wrench*, 256 F.3d 446, involved an implied contract claim, in contrast to the facts here, there was extensive interaction between the parties that distinguished that case from quasi contract. More importantly for this Petition, *Wrench* is inconsistent with other, more recent case authorities in the same circuit (*Ritchie* and *Murray Hill*) and in other circuits, and was based on faulty